

**In the Matter Of:**

*Re CELSIUS NETWORK LLC, et al.*

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*CHRISTOPHER FERRARO*

*November 21, 2022*

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2 UNITED STATES BANKRUPTCY COURT

3 SOUTHERN DISTRICT OF NEW YORK

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In re:

) Chapter 11

)

6 CELSIUS NETWORK LLC, et al.

) Case No. 22-10964

) (MG)

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VIDEOCONFERENCE VIDEO-RECORDED DEPOSITION OF

15

CHRISTOPHER JAMES FERRARO

16

New York, New York

17

Monday, November 21, 2022

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Reported Stenographically By:

PATRICIA A. BIDONDE

24

Registered Professional Reporter

Realtime Certified Reporter

25

JOB#: 2022-872581

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November 21, 2022  
9:09 a.m.

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7                   Confidential Videoconference  
8                   Video-Recorded Deposition of  
9                   CHRISTOPHER JAMES FERRARO, held at  
10                  the offices of Kirkland & Ellis LLP,  
11                  601 Lexington Avenue, New York, New  
12                  York, before Patricia A. Bidonde,  
13                  Stenographer, Registered  
14                  Professional Reporter, Realtime  
15                  Certified Reporter, Certified  
16                  eDepoze Court Reporter, Notary  
17                  Public of the States of New York,  
18                  New Jersey, and Connecticut.

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12 DANIEL FRISHBERG

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14 THOMAS DIFIORE, UCC Co-Chair

15 MICHAEL MORRIS

16 MIKE G

17

18 ALSO PRESENT:

19 CHRISTIAN BIDONDE, Legal Video Specialist

20

21 Via Videoconference:

22 AYDALINE GARCIA, Zoom Tech

23

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2 IT IS HEREBY STIPULATED AND  
3 AGREED, by and between the attorneys  
4 for the respective parties, that all  
5 objections, except as to the form of  
6 the questions, shall be reserved to  
7 the time of the trial.

8 IT IS FURTHER STIPULATED AND

9 AGREED that the within examination  
10 may be signed and sworn to before  
11 any Notary Public with the same  
12 force and effect as if signed and  
13 sworn to before the court.

14 IT IS FURTHER STIPULATED AND

15 AGREED that the filing of the  
16 original transcript of the  
17 examination is waived.

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3 P R O C E E D I N G S

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5 THE VIDEOGRAPHER: We are now  
6 on the record. The time is  
7 9:09 a.m. on November 21, 2022.  
8 Audio and video recording will  
9 continue to take place until all  
10 parties agree to go off the record.

11 Please note that microphones are  
12 sensitive and may pick up whispering  
13 and private conversations.

14 This is the video-recorded  
15 deposition of Christopher Ferraro in  
16 the matter of In re Celsius Network,  
17 et al. This deposition is being  
18 held at Kirkland & Ellis, New York,  
19 New York.

20 My name is Christian Bidonde.  
21 I am the legal video specialist. On  
22 behalf of Lexitas. The certified  
23 stenographer is Patricia Bidonde on  
24 behalf of Lexitas.

25 Counsel will state their

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1  
2 appearances for the record and all  
3 those parties on Zoom, except for  
4 those speaking, will be noted for  
5 the record. Then the certified  
6 stenographer will swear in the  
7 witness.

8 MR. HERSHY: Sam Hershey from  
9 White & Case on behalf of the  
10 official committee of unsecured  
11 creditors.

12 MR. WOFFORD: You also have  
13 Keith Wofford from White & Case on  
14 behalf of the official committee.

15 MR. McCARRICK: T.J.  
16 McCarrick, Kirkland & Ellis, on  
17 behalf of the debtors.

18 MS. CORNELL: You have Shara  
19 Cornell on behalf of the office of  
20 the United States Trustee and Mark  
21 Bruh.

22 MR. CREWS: Cameron Crews, pro  
23 se creditor.

24 MR. HERRMANN: Immanuel  
25 Herrmann, pro se creditor.

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2 MR. ADLER: David Adler from  
3 McCarter English on behalf of  
4 certain borrowers. Can everyone  
5 hear me?

6 THE VIDEOGRAPHER: Yes.

7 MR. ADLER: Thank you.

8 MS. WESTOVER YANEZ: Melanie  
9 Westover Yanez from Milbank for  
10 Series B Preferred Holders.

11 MS. SUTHERLAND-SMITH: Kathryn  
12 Sutherland-Smith of White & Case for  
13 the Official Committee of Unsecured  
14 Creditors.

15 MS. JONES: Elizabeth Jones of  
16 Kirkland & Ellis on behalf of the  
17 debtors.

18 C H R I S T O P H E R F E R R A R O, called  
19 as a witness, having been duly sworn by  
20 a Notary Public, was examined and  
21 testified as follows:

22 EXAMINATION BY

23 MR. HERSHY:

24 Q. Okay. Good morning, Mr. Ferraro.  
25 My name is --

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2 Q. Approx- --

3 A. -- specs -- invested.

4 Q. Approximately 1.8 billion of it?

5 A. Yeah. I -- there was uses of the  
6 stablecoin, and clearly most of it got used to  
7 pay for operations, for lending, for the  
8 mining asset, certain -- certain losses that  
9 we had to take that we took. We had to go  
10 back and buy cryptocurrencies -- right? --  
11 with stablecoins.

12 So, yeah, there was many purposes  
13 that stablecoins were used for. Some were  
14 operations, some were to buy back coins that  
15 were actual losses, and some was mining  
16 assets, lending programs, et cetera.

17 Q. So you listed a few things that  
18 the stablecoin went to. Do you know the  
19 amount of stablecoin that was dedicated to  
20 each of those things?

21 A. Well, I think it's pretty safe to  
22 say that predominantly the entire mining  
23 asset, so call it almost 600 million.  
24 Predominantly the entire retail lending book,  
25 call it another 400-and-something million.

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2 You're at a billion.

3 There was operating expenses for  
4 2021 and 2022 that totaled, off of memory,  
5 about a half a billion.

6 And then you had certain  
7 currency -- cryptocurrencies that we had to go  
8 back and buy because there was losses. Think  
9 EFH. So that's how you get to the 1.8 to 2  
10 billion.

11 Q. Okay. So just -- so sticking with  
12 your math. So mining, lending, and  
13 operations, you said 600 for mining, 400 for  
14 lending, 500 for operations. That totals  
15 1.5 billion. Right?

16 A. Yeah.

17 Q. So would the loss that you just  
18 described be 300 million in your estimation?

19 A. Losses in which we had to go back  
20 and purchase cryptocurrencies for the accounts  
21 so we didn't have a directional position. I  
22 don't have that number off the top of my head,  
23 but, yeah, it was in that range.

24 Q. Can you explain that a little more  
25 of losses for which you had to go back and --

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1 C. Ferraro - Confidential

2 A. Well, let's say --

3 Q. -- purchase cryptocurrency?

4 A. Yeah. Let's say, for example,

5 EFH. We -- we borrowed money from EFH, and I

6 believe this dates back to 2020. Right? We

7 lent money -- we borrowed money from EFH, and

8 we posted Bitcoin and ETH as collateral.

9 When we went to pay down the loan  
10 with EFH, they said, We don't have your  
11 collateral. So now we thought we had an asset  
12 of Bitcoin -- right? -- and now we don't. So  
13 we had to use stablecoins to go out and buy  
14 Bitcoin so that our risk positions would be  
15 neutralized.

16 Q. Understood. Okay. All right.

17 This may retread some of the ground we've just  
18 gone over. Let's turn to paragraph 26 of your  
19 declaration.

20 A. Of my declaration. Okay.

21 Yes, sir. I'm there.

22 Q. And, actually, before we get  
23 there, just one quick question: Is Celsius  
24 able to trace stablecoins in its possession to  
25 specific transfers made by account holders?

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2 this is not an activity that I'm involved in  
3 or would condone.

4 If it's happening, I don't know  
5 about it and it will stop, sir. Unless  
6 there's a good reason for it, it should not go  
7 on. I do not know of any editing that's  
8 happening right now with videos.

9 MR. McCARRICK: Object to --

10 Q. Excellent. I do not either, to be  
11 clear, at the moment. I know there's been a  
12 lot of it, and maybe even including as you  
13 transitioned into the role, which is not  
14 saying you oversaw it or knew.

15 But I think it has been going on  
16 and it may still be going on. I don't know.  
17 But I'll leave it at that. Thank you for  
18 stating that you don't support that.

19 So from the time you've been CFO  
20 and just during your time at Celsius, in the  
21 ordinary course of business, did Celsius pass  
22 on 80 percent of its gross revenue to account  
23 holders in the form of rewards?

24 MR. McCARRICK: Object --

25 Q. There were definitely statements

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2 about that, so I just want to ask if that was  
3 true.

4 MR. McCARRICK: Okay. Object  
5 to form. Again, this was carved  
6 out. We didn't respond to this  
7 written deposition question.

8 We'll let you respond to it  
9 here if you have personal knowledge.

10 If you don't, you should say so.

11 A. Yeah, my understanding is that  
12 they targeted a payout at 80 percent, but in  
13 reality, because the deployment didn't return  
14 the income that was expected, it was actually  
15 above 80 percent.

16 Q. It was above 80 percent, that's  
17 your understanding?

18 A. Yeah, the pay out ratio was above  
19 80 percent. I know this through the budgeting  
20 exercise that I worked on.

21 I will say this: I grew up in an  
22 industry where you don't price to things like  
23 80 percent. You look at the risk-based return  
24 on risk-based capital, and you accrete value  
25 based on upon making the right decisions.

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2 So I would not support, nor would  
3 I go out in a new company saying 80 percent or  
4 anything like that. I would -- I would do my  
5 best to earn a reasonable market-based return  
6 on the capital and manage the risk.

7 Q. All right. Do any retail or  
8 institutional borrowers who had stablecoin  
9 loans from Celsius still have these cash loans  
10 in their possession?

11 MR. McCARRICK: Object to the  
12 form. Outside the scope.

13 You can answer, Mr. Ferraro.

14 A. If I understand the question  
15 correctly, outstanding loans, do customers  
16 still have the fiat or the stablecoins?

17 Q. Yeah.

18 A. I think that's based upon their  
19 spending habits and what they wanted to do  
20 with the money. I don't know what customers  
21 do with the money that we give them, whether  
22 it's in stables or whether it's in fiat.

23 They could have bought a car.

24 They could have paid off bills. They could  
25 have gone on a vacation. Honestly, I don't